

## COMMITTEE ON GOVERNMENT REFORM TOM DAVIS, CHAIRMAN



### NEWS RELEASE

For Immediate Release  
April 19, 2005

Contact: Robert White/Drew Crockett  
(202) 225-5074

### Davis Statement on Energy Department Contracting

Washington, D.C. – Government Reform Committee Chairman Tom Davis issued the following statement today on the General Accountability Office (GAO) report titled, *GAO-05-123 Department of Energy; Further Actions Are Needed to Strengthen Contract Management for Major Projects*:

“The Department of Energy (DOE) is dependent on contractors to run virtually all of its operations. So it is particularly distressing that the Department’s acquisition management is on GAO’s High Risk list of government functions susceptible to waste and mismanagement and tops the DOE Inspector General’s (IG) list of seven key management challenge areas facing the Department.

“Today’s report requested by the Government Reform Committee demonstrates that even though leadership at DOE has made improvements, contract management at DOE should and must remain on the GAO high-risk. Major projects continue to experience substantial cost and schedule overruns and DOE continues to use data provided by contractors to calculate high rewards for the very same contractors for routine work and performance.

“The good news is that DOE has recently established an extensive acquisition reform program. The bad news is that, at best, results have been mixed. While DOE established the Project Assessment and Reporting System (PARS) to spur improvements, PARS data is often out of date; contains contractor data entered manually, making it susceptible to errors and potentially unreliable; and does not contain future trend data, such as work scheduled to be performed and estimated cost at completion. In addition, GAO found that DOE contracts include performance incentives without using an associated cost incentive or constraint. GAO found fees paid for basic contract expectations like delivering reports on time and performing work safely rather than exceptional performance, such as exceeding clean up goals. **In one case, a DOE**

**contractor earned an incentive fee, even though it had overrun estimated costs by \$42 million on a major project.**

“These problems affect billions of dollars of major DOE projects from the Spent Nuclear Fuels Stabilization and Disposition project at Hanford, WA, to the Spallation Neutron Source at Oak Ridge National Laboratory in Tennessee. I believe that DOE should heed GAO’s recommendations to increase emphasis and attention on contract oversight and administration, develop more meaningful guidance on incentive fee determinations for exceptional performance not basic contract expectations, and move quickly to certify contractor’s project management systems. Without the assurance of reliable data from these systems and the validation of cost and technical baselines in advance of contract awards, DOE cannot save money, ensure good performance or reward contractors for exceptional performance.”

###

